

State:	District of Columbia	Filing Company:	American Family Life Assurance Company of Columbus
TOI/Sub-TOI:	MS021 Individual Medicare Supplement - Pre-Standardized/MS021.000 Medicare Supplement - Pre-Standardized		
Product Name:	2013 Medicare Supplement Rate Filing - Pre-standardized Plans		
Project Name/Number:	/		

Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	Actuarial Justification		
Comments:			
Attachment(s):			
Washington D.C. 2013 MS Actuarial Memorandum - Pre60.pdf			
Washington D.C. 2013 MS Actuarial Memorandum - Pre60 Rates.pdf			

		Item Status:	Status Date:
Satisfied - Item:	Confidential / Trade Secret Information		
Comments:			
Attachment(s):			
Washington D.C. 2013 MS Actuarial Memorandum - Pre60 (TS).pdf			

American Family Life Assurance Company of Columbus (Aflac)
Pre-Standardized Medicare Supplement Insurance
Actuarial Memorandum
Washington D.C.

Purpose of the Filing:

This filing has been prepared to request approval for the proposed changes to the rates and to comply with annual filing requirements. The premiums are being revised as a result of changes in cost levels and changes in the Medicare program. The policy forms subject to the proposed rate revisions and the amounts of the proposed rate revisions are listed in the **Forms Summary/Proposed Rate Revision Exhibit**. These forms were issued with a **60% Lifetime Loss Ratio Requirement** prior to 11/06/1991.

General Description:

Issuer Name:	American Family Life Assurance Company of Columbus (Aflac)
Form Number:	The policy form numbers are listed in the exhibit labeled Forms Summary/Proposed Rate Revision Exhibit .
Type of Policy:	Pre-Standardized Medicare Supplement Individual coverage.
Benefit Description:	These policy forms provide benefits which supplement Medicare and are in compliance with the NAIC guidelines. A benefit description is contained in the exhibit labeled Benefits Summary .
Renewal Provision:	The policy forms in this block are guaranteed renewable .
Marketing Approach:	These policy forms were marketed by Agents and by Brokers. They are no longer sold.
Issue Age Limits:	These policy forms were issued to all individuals age 65+ who were eligible for Medicare and if applicable, to disabled individuals age 64 and below.
Premium Basis:	The premiums for these policies are issue age rated.
Actuarial Certification:	Certification of a qualified actuary is attached.
Target Loss Ratio:	The originally filed and target lifetime loss ratio is 60%.
Open or Closed Block:	All policy forms have been withdrawn from sale.

Methodology and Assumptions used to Determine the Rates:

Methodology:

To increase statistical credibility, we used nationwide experience and combined all plans. Revised premiums were then calculated using a combination of rating models and actuarial judgement. The resulting premiums were then tested to assure that both lifetime and future anticipated loss ratios meet minimum standards.

Assumptions:

▲

Claim Costs: Claim costs were based on recent Company experience. In projecting future premiums and claims for calendar years 2014 and later, it was assumed that premiums and claims would both increase at the rate of 5.0% per year.

Trend: Trend factors to update claim costs from 2012 to 2013 were based on recent company experience, input from CMS, 2012 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, input from consultants, and judgement.

Persistency: Persistency is based on recent Company experience.

Interest: The interest rate used for accumulating past experience and discounting future experience is 5%.

Rate Sheets:

The **Premium Rates Exhibit** contains a set of proposed rates.

Rate History:

A history of **rate revisions** applicable to policyholders for each form in this state is shown in the **Rate Revisions Exhibit**.

Inforce Counts:

Inforce counts for this state and the nation are shown in the **Inforce Exhibit**.

Data Requirements:

Historical experience is provided on both a nationwide as well as a state-specific basis, if state experience is available. The **Experience Exhibit** contains historical experience.

Loss Ratio Demonstration:

A Loss Ratio Demonstration is included in the **Loss Ratio Exhibit**. The demonstration includes both the Lifetime and Future Anticipated Loss Ratios for those forms with similar loss ratio requirements. Projections of Earned Premiums and Incurred Claims have been provided with all plans combined in order to increase statistical credibility.

Actuarial Certification

Company: American Family Life Assurance Company of Columbus (Aflac)

Rate Submission: 2013 Pre-Standardized Medicare Supplement Annual Rate Filing and Premium Increase Filing

The anticipated loss ratios for these policies are at least 60% and to the best of my knowledge and belief, the benefits provided are reasonable to the premium charged, and in my opinion, the rates are not excessive, inadequate or unfairly discriminatory.



Penny Way-Wells, FSA, MAAA
Senior Manager, Rerating

11/5/2012

Date

American Family Life Assurance Company of Columbus (Aflac)
Pre-Standardized Medicare Supplement Insurance
60% Loss Ratio Requirement Forms Summary
Inforce Policies Issued Prior to 11/06/1991
Washington D.C.

<u>Policy Form</u>	<u>Type</u>	<u>Approval Date of Original Form</u>	<u>Proposed Increase</u>
A-19000-12	Base	3/19/1990	5.0%
A-19050-DC	Rider		5.0%
A-19053-DC	Rider		5.0%

American Family Life Assurance Company of Columbus (Aflac)
Pre-Standardized Medicare Supplement Insurance
Inforce Policy Count & Annualized Premium by Series
Inforce Policies Issued Prior to 11/06/1991
As of 06/30/2012

Washington D.C.

<u>Policy Form</u>	<u>Annualized Premium</u>	<u>Policy Count</u>	<u>Average Annual Premium</u>
A-19000 et al.	\$ 4,083	2	\$ 2,042

Nationwide

<u>Policy Form</u>	<u>Annualized Premium</u>	<u>Policy Count</u>	<u>Average Annual Premium</u>
A-19000 et al.	\$ 4,222,662	1,312	\$ 3,218
A-19200 et al.	2,046,303	614	3,333
A-19700 et al.	190,335	98	1,942
A-19800 et al.	840,253	250	3,361

American Family Life Assurance Company of Columbus (Aflac)
Pre-Standardized Medicare Supplement Insurance
60% Loss Ratio Requirement Forms Summary
Summary of Rate Revisions
Washington D.C.

Historical Rate Revision

Calendar <u>Year</u>	Aggregate Rate <u>Revision</u>
1989	0.00
1990	0.00
1991	0.00
1992	0.00
1993	0.00
1994	0.00
1995	0.00
1996	7.40
1997	10.00
1998	8.40
1999	29.00
2000	9.00
2001	12.00
2002	8.00
2003	9.50
2004	6.00
2005	0.00
2006	0.00
2007	0.00
2008	7.50
2009	4.50
2010	5.00
2011	3.00
2012	5.00

Proposed Rate Revision	
Calendar <u>Year</u>	Aggregate Rate <u>Rate</u>
2013	5.00

Benefit Summary:

Benefits provided under these forms include:

A-19000-12: Base Plan

Hospital Benefit: pays the daily and lifetime reserve day co-payments, and 100% of hospital expenses, as they would have been determined by Medicare, incurred after Medicare benefits are exhausted.

Blood Transfusion Benefit: pays for up to three pints of blood.

Skilled Nursing Benefit: pays the daily benefit from the 21st day through the 100th day of confinement in a Skilled Nursing Facility, in a benefit period.

Skilled Nursing Benefit: pays the increased Skilled Nursing benefit from the 101st to the 365th day of confinement.

Part B Benefit: pays the coinsurance amounts of Medicare eligible Part B expenses after the Medicare Calendar year deductible.

Accidental Death Benefit: pays an accidental death benefit of \$1,000 increased by \$1,000 at each annual renewal date.

A-19050-DC: Rider

Part A Benefit: pays initial deductible amount once each benefit period.

A-19051-DC: Rider

Excess Charge Benefit: pays the nonassigned eligible expense portion which is up to 80% over the amount set as allowable by Medicare.

A-19052-DC: Rider

Cash Supplement Benefit: pays 50% of the coinsurance amount of Medicare eligible Part B expenses after the Medicare Calendar year deductible.

Private Nursing Benefit: pays up to \$50 per day for private nursing while confined to a hospital.

Foreign Travel Benefit: pays \$200 per day for hospital confinement outside the U. S. and its territories, beginning with the 2nd day up to a maximum of 180 days.

A-19053-DC: Rider

Part B Deductible Benefit: pays for the approved charges incurred for the Medicare Part B Calendar year deductible.

American Family Life Assurance Company of Columbus (Aflac)
Pre-Standardized Medicare Supplement Insurance
2013 Monthly Premium Rates
Inforce Policies Issued Prior to 11/06/1991

Washington D.C.

		Issue Age Band				
<u>Form</u>		<u>65</u>	<u>66-70</u>	<u>71-75</u>	<u>76-80</u>	<u>81+</u>
A-19000-12	Current	121.55	129.15	136.70	159.65	171.00
A-19000-12	Revised	127.65	135.60	143.55	167.65	179.55
A-19050-DC	Current	50.20	57.65	68.55	79.30	85.20
A-19050-DC	Revised	52.70	60.55	72.00	83.25	89.45
A-19053-DC	Current	19.30	19.95	20.70	21.30	21.85
A-19053-DC	Revised	20.25	20.95	21.75	22.35	22.95

Quarterly = 3 X Monthly
Semi-Annual = 6 X Monthly

Annual = 11 X Monthly



Penny Way-Wells, FSA, MAAA
Senior Manager, Rerating

Direct Dial: 706/660-7738
FAX: 706/660-7171

To: District of Columbia Department of Insurance

Subject: American Family Life Assurance Company of Columbus - Aflac
Pre-Standardized Medicare Supplement Individual Coverage
Forms Issued with a 60% Lifetime Loss Ratio Requirement
Trade Secret Certification

Date: November 5, 2012

The loss ratio demonstrations and experience exhibits are being submitted as trade secret. The purpose of the documents included in this filing is to meet state filing requirements. These documents are not intended for any other purposes. American Family Life Assurance Company of Columbus, Aflac, certifies the following:

1. Aflac considers this information a trade secret that has value and provides an advantage, or an opportunity to obtain an advantage, over those who do not know or use it.
2. Aflac has taken measures to prevent the disclosure of the information to anyone other than those who have been selected to have access for limited purposes, and Aflac intends to continue such measures.
3. The information is not, and has not been, reasonably obtainable without the company's consent by other persons by use of legitimate means.
4. The information is not publicly available elsewhere.

Penny T. Way-Wells, FSA, MAAA
Senior Manager, Rerating

11/5/2012

Date

American Family Life Assurance Company of Columbus (Aflac)
Pre-Standardized Medicare Supplement Insurance
60% Loss Ratio Requirement
Loss Ratio Demonstration
With Proposed Rate Increase
Nationwide

Calendar Year	Earned Premium(000's)	Incurred Claims(000's)	Loss Ratio
1986	200	52	26%
1987	4,162	1,256	30%
1988	12,599	4,760	38%
1989	28,775	11,937	41%
1990	47,539	24,315	51%
1991	58,039	29,820	51%
1992	55,607	29,591	53%
1993	47,148	26,749	57%
1994	40,841	25,722	63%
1995	35,648	23,959	67%
1996	32,062	23,472	73%
1997	30,310	22,777	75%
1998	28,490	21,808	77%
1999	27,089	20,487	76%
2000	26,208	18,371	70%
2001	24,234	16,990	70%
2002	22,473	15,450	69%
2003	20,946	14,435	69%
2004	18,825	14,148	75%
2005	16,602	13,028	78%
2006	14,512	11,546	80%
2007	13,947	10,417	75%
2008	12,781	9,308	73%
2009	11,127	7,952	71%
2010	9,722	7,180	74%
2011	8,339	6,147	74%
2012	7,188	5,457	76%
2013	6,125	4,697	77%
2014	5,125	3,967	77%
2015	4,211	3,302	78%
2016	3,431	2,711	79%
2017	2,735	2,169	79%
2018	2,151	1,708	79%
2019	1,644	1,307	79%
2020	1,221	969	79%
2021	877	697	79%
2022	592	467	79%
2023	372	293	79%
2024	195	151	78%
2025	75	55	73%
2026	2	2	102%
Accumulated Past Loss Ratio:	<u>845,602</u>	= 61 %	
	1,391,319		
Anticipated Future Loss Ratio:	<u>23,613</u>	= 78 %	
	30,422		
Anticipated Lifetime Loss Ratio:	<u>869,215</u>	= 61 %	
	1,421,741		
Loss Ratio for 1996-and-later Experience:	<u>407,045</u>	= 74 %	
	551,962		

American Family Life Assurance Company of Columbus (Aflac)
Pre-Standardized Medicare Supplement Insurance
60% Loss Ratio Requirement Forms
Experience through 06/30/2012
Incurred Claims are based on actual claim runoffs through 09/30/2012

Washington D.C.

Calendar <u>Year</u>	Earned <u>Premium</u>	Incurred <u>Claims</u>	Loss <u>Ratio</u>
1986	0	0	0.0%
1987	156	0	0.0%
1988	112	0	0.0%
1989	0	0	0.0%
1990	0	0	0.0%
1991	18,802	9,430	50.2%
1992	23,878	6,167	25.8%
1993	22,772	16,123	70.8%
1994	19,928	11,255	56.5%
1995	16,732	11,042	66.0%
1996	15,083	13,259	87.9%
1997	13,071	10,260	78.5%
1998	10,512	11,800	112.3%
1999	11,415	43,055	377.2%
2000	12,900	6,012	46.6%
2001	13,695	14,930	109.0%
2002	12,944	3,782	29.2%
2003	12,613	7,294	57.8%
2004	11,502	24,867	216.2%
2005	10,223	9,588	93.8%
2006	7,306	5,851	80.1%
2007	6,970	4,077	58.5%
2008	1,798	1,126	62.6%
2009	3,660	4,505	123.1%
2010	3,737	4,409	118.0%
2011	4,023	1,343	33.4%
2012	1,564	379	24.2%
Total	255,397	220,553	86.4%

American Family Life Assurance Company of Columbus (Aflac)
Pre-Standardized Medicare Supplement Insurance
60% Loss Ratio Requirement Forms
Nationwide Experience through 06/30/2012
Incurred Claims are based on actual claim runoffs through 09/30/2012

Calendar <u>Year</u>	Earned <u>Premium</u>	Incurred <u>Claims</u>	Loss <u>Ratio</u>
1986	199,620	51,608	25.9%
1987	4,162,173	1,256,059	30.2%
1988	12,598,599	4,760,348	37.8%
1989	28,775,220	11,937,052	41.5%
1990	47,539,145	24,315,021	51.1%
1991	58,039,267	29,820,603	51.4%
1992	55,607,296	29,591,427	53.2%
1993	47,148,358	26,748,941	56.7%
1994	40,840,620	25,721,629	63.0%
1995	35,648,049	23,958,961	67.2%
1996	32,062,354	23,472,031	73.2%
1997	30,310,058	22,777,076	75.1%
1998	28,489,607	21,807,724	76.5%
1999	27,089,202	20,487,287	75.6%
2000	26,208,497	18,371,069	70.1%
2001	24,233,689	16,990,211	70.1%
2002	22,473,482	15,450,456	68.7%
2003	20,946,283	14,435,339	68.9%
2004	18,825,366	14,147,540	75.2%
2005	16,602,185	13,027,658	78.5%
2006	14,512,417	11,546,238	79.6%
2007	13,947,488	10,416,615	74.7%
2008	12,781,314	9,308,085	72.8%
2009	11,126,901	7,951,763	71.5%
2010	9,722,301	7,180,233	73.9%
2011	8,339,225	6,146,861	73.7%
2012	3,689,275	2,839,080	77.0%
Total	651,917,992	414,516,917	63.6%